

# **Pre-Retirement Planning**

## **Preface**

Nothing is more difficult for a Federal worker to face at the end of a very successful and satisfying 30- or 40-year career than retirement without a plan for the future. This brief guide is designed to help you understand that retirement is a process that requires planning, action and follow through. This guide envisions a five-year preparation timeline that requires attention from both the employee and his or her spouse.

The guide is not designed to be more helpful than comprehensive. It points out the major things that you need to consider, but it also points you to tools and information available from other valuable Web sites. We sincerely hope that you find it helpful.

## **Introduction**

Pre-retirement planning is something you must think about if you are going to have a comfortable and fulfilling retirement after your government career. To ensure that your present lifestyle is maintained through your retirement years, it is crucial to begin planning for your retirement at least five years before you actually plan to retire. As a result of this planning, you can determine how much money you need to maintain your present lifestyle or do you plan to downscale or upscale your lifestyle. Most people know they must plan for retirement, but have a difficult time knowing where to begin. This guide is where to begin.

There are many factors involved with retirement planning and it is literally never too early to begin. This is a fact that will be stressed throughout this guide. Remember that every choice you make concerning participation in the Thrift Savings Plan (TSP) is a decision about what will be available when you retire. As stated earlier, retirement planning should begin several years before you can actually retire. This guide begins specifically at the five-year mark because there are certain decisions that you make at that point that are crucial for continuing Federal insurance eligibility into retirement.

Retirement planning not only includes your government benefits (health and life insurance), but your financial security, tax and estate planning. Concerns about your legal and housing needs and health and fitness also play a major role in your retirement. Experts have stated that a person needs approximately 80 percent of their pre-retirement income in order to retire comfortably. Remember, your daily routine will change once you

retire. A major change like retirement can also affect your emotional and physical well-being.

## **Why is it Important to Plan for Your Retirement?**

Simply stated, it is important to plan for your retirement because what you do or don't do will affect the kind of lifestyle you will have after you retire.

Unfortunately, many people assume that they have plenty of time to prepare for retirement. Those who fail to plan often find that their retirement years are not what they expected. Begin your planning early and eliminate many of the surprises that you can easily avoid.

## **How to Plan Ahead**

There are four key steps in planning your retirement:

1. **SET GOALS** – Think ahead to your retirement and determine what activities you want to enjoy or goals to achieve. Estimate roughly what your retirement life style will cost.
2. **GET INFORMATION** – Educate yourself about the financial and emotional issues of retirement. Talk to people who have retired and read as much information as you can on the subject. It is advantageous for you to attend pre-retirement seminars, which are offered through the Human Resources Office (HRO) or other outside sources.
3. **SEEK ADVICE** – Talk to your human resources specialist at HRSC concerning your benefits and Thrift Savings Plan (if you have one) as well as other professionals concerning money management, health, housing and legal affairs.
4. **WRITE IT DOWN** – Put your plan into writing. A good idea is to make a list of things you need to do and when. And keep track that you actually did them.

## **Five Years Before Retirement**

### **Important Point to Remember**

**One very important fact to remember during the five-year period before retirement is that you **MUST** have insurance coverage for five years immediately before retirement to keep it after retirement.**

- **Review Your Official Personnel File (OPF).** Request to review your OPF from HRO. Since your HRO does not maintain your OPF, it may take a week or so for it to arrive. After it arrives, you will be able to set up an appointment to review it. During the review verify all periods of civilian and military service. The best way to document your service history is to request that the retirement staff at the Human Resources Service Office Northwest (HRSC NW) complete a SF 280-1, "Certified Summary of Federal Service" if you are under the Civil Service Retirement System (CSRS). For employees under the Federal Employees Retirement System (FERS) request Form SF 3107-1. Compare the information on these listings to your own records and note any corrections that need to be made (supported by the necessary documentation). If your check reveals that any of your government service is missing, ask the HRO specialist for assistance in documenting the service. Ask that the corrected copy be filed in your OPF. Remember that any part-time or intermittent service you may have performed (including student appointments) should be included on your SF280-1 or SF3107-1.

**If you have any government service that was not covered by retirement, it may still be used in computing your annuity but you need to document the service. You may also have to pay something into the retirement program to get credit for it in your annuity. In short, make sure that your service computation date for retirement reflects ALL your Federal service.**

**Note – Temporary service on or after January 1, 1989 is not creditable for retirement purposes under FERS and will not be included in your retirement service computation date."**

- **Verify Your Health Benefit Enrollment.** If you are enrolled in the Federal Employees Health Benefits (FEHB) program, ask for verification that your OPF contains your latest enrollment form that identifies your present plan and type of enrollment. Normally, to continue your FEHB coverage after retirement, an employee must be continuously enrolled (or covered as a family member) in some FEHB plan for the five years of service immediately preceding retirement. Employees or spouses may switch from one FEHB

carrier to another during the five years, but they must be covered under the FEHB Program.

- **Verify Your Life Insurance Enrollment.** If you are enrolled in the Federal Employers Group Life Insurance (FEGLI) program, verify that it is documented in your OPF. Again, you can only carry your FEGLI coverage into retirement if you have been covered continuously for the five years previous to retirement.

If you completed a Life Insurance Designation of Beneficiary form verify who would be entitled to receive life insurance and other money that would become payable in the event of your death.

### **Important Point to Remember**

This is a good time to update any designations of beneficiary that you have on file. The Designations for the Federal Employees Retirement System are filed in your OPF until you separate from service. Other designations to check are the Designations for the Civil Service Retirement System, which are filed with the Office of Personnel Management (OPM) and the Thrift Savings Plan (TSP) designations, which are filed with the Thrift Savings Plan Service Office.

If you have not filed designations of beneficiary, make sure that the normal order of precedence will meet your needs.

- **Have a Human Resource Specialist Check to Confirm That You are Under the Right Retirement System.** This may sound silly to you, but errors in enrollment and coverage do happen from time to time. This is why the five-year mark is a great time to check.
- **Age and Service Requirements.** Make sure you meet the age and number of years required to retire for the retirement date that you anticipate.
- **Payment to Increase Your Annuity.** Check with your HRO specialist to see if you can make a payment for civilian or military service that would increase your annuity. Also check with the specialist to determine what your annuity would be with or without the payment to determine if it is to your advantage to make the payment. If you decide to make the payment, it should be done as soon as possible since interest continues to accrue on deposits and redeposits.

Remember that it may take some time to accumulate or locate the documentation you need to show the military service you have, so start early. If you are a military retiree, you must waive your military retirement pay to have the service used in your annuity.

Information and forms necessary to make a deposit and/or redeposit can be found on the HRSC-NW Web site:

- **FERS**  
<http://www.donhr.navy.mil/nw/Benefits/FERSDepRDep.asp>
- **CSRS**  
<http://www.donhr.navy.mil/nw/Benefits/CSRSDepRDep.asp>

- **Review Your Thrift Savings Plan (TSP) and Your Financial Situation.** You may want to increase your contributions before retirement or change the distribution of your assets in TSP. After you retire, you can no longer contribute to the fund. Federal employees often forget to consider their investments in TSP when they do their retirement planning. This is a serious mistake.
- **Find Out If You Will Be Eligible For Social Security Benefits.** Along with the Social Security benefits, check with your Human Resource Specialist to see if you will be affected by Windfall elimination and government pension offset. Many people have held outside or part-time employment during their Federal careers, so you may be eligible for an annuity under Social Security. To learn about Social Security benefits and entitlements, we suggest that you visit their helpful Web site at <http://www.ssa.gov/retirement/>.
- **Estimate Your Own Annuity.** Assuming that you have accurate information on your years of Federal service and can project what your high three will be, you may want to do your own retirement estimate. These estimates give you excellent planning estimates based on the information that you put in. The Web site of the HRSC NW has these retirement calculators you to use:

<http://www.donhr.navy.mil/nw/Benefits/RetPlng.asp>.

Additional annuity information is also included in the benefits statement available on EBIS.

- Visit the OPM Web site for Retirement. OPM manages the Federal retirement systems and has the most current information regarding retirement and retirement benefits. The OPM Web site has published an excellent retirement planning guide, entitled, “Thinking about Retirement,” which is worth reading. Also found on the OPM Web site is a series of brochures entitled “Retirement Facts” that may prove useful. The OPM Web site is located at:  
<http://www.opm.gov/retire/html/library/ri83-11/index.asp>.

### **Important Point to Remember**

If you are divorced or have court ordered benefits for your former spouse, the content of that court order needs to be reviewed. The court ordered decree could have an effect on the designation of beneficiaries as well.

### **Two Years Before Retirement**

- Request a Retirement Estimate. This is an estimate of your monthly annuity before taxes. Estimates may be requested from the HRSC-NW Web site at: <http://www.donhr.navy.mil/nw/Benefits/Retiremt.asp>

### **One Year Before Retirement**

- Confirm That Nothing Has Changed That Would Affect Your Planning. This is the point at which you need to take some of the more detailed actions that are necessary for the retirement process to go smoothly. It is advantageous to retrieve from HRSC-NW Web site the “Checklist for Employees Preparing to Retire” and the “Checklist for Health Benefits and Life Insurance Coverage.” These lists can be used to ensure you have not forgotten any actions or obtain needed information. If you need any help, contact the HRSC-NW staff for assistance.
- Attend Another Pre-Retirement Seminar, If Available.
- Request An Updated Retirement Estimate. Since you are now very close to your planned retirement date, this estimate will be based on more accurate information. Although most retirement questions and concerns may be addressed through phone conversations with the staff at HRSC-NW, some employees may need personal help and

**assistance. In those cases it may also be a good idea to make an appointment with your Human Resource Specialist to go through everything and verify that you have all the information that you will need in your retirement application.**

**If you have any unpaid deposits or redeposits, including post-1956 military service or withdrawals you have made from Federal retirement, now is the time to make those deposits if you intend for that period of time to count toward your annuity. If you need help, contact the HRSC-NW staff for help for assistance.**

### **Important Point to Remember**

**Keep in mind that a deposit for post-1956 military service needs to be paid to your agency before separation.**

- Review Your Survivors Benefits Options. This would include the types of benefits that may be elected, the eligibility requirements for survivor benefits, their cost and the necessity for your spouse to consent if you want to provide less than full benefits for him or her. If you do not provide any annuity for your spouse, he or she will not be able to continue Federal Employees Health Benefits coverage upon your death.**
- Obtain Current Information About Expected Income from Other Sources. These sources include such things as your TSP withdrawal options and the different way of withdrawing thrift plan funds and the tax effects. Also obtain information about federal and state taxation of your annuity and other income.**
- Verify Your Eligibility to Continue Your Health Benefits Coverage as a Retiree.**
- Verify Your Continued Coverage of Life Insurance into Retirement. Decide how much insurance coverage you want to keep as a retiree and its cost.**
- Check Any Designations of Beneficiary You Have on File to Be Sure That They Reflect Your Current Needs.**
- Notify Your Supervisor of Your Intended Retirement Date. This is a courtesy notification and may always be changed. Retirement is voluntary, but supervisors need to plan (often months in advance) for your departure and what will be done to insure that your work and skills will continue after you are retired.**

## **Six Months Before Retirement**

- **Clear All Indebtedness to Your Agency.** An example would be outstanding travel advances or advanced leave.
- **Military Retirees and Waived Military Pay.** If you are a military retiree who wants to waive your military retired pay, you should notify the Retired Pay Operations Center from your branch of service in writing at least 90 days, but no later than 60 days, before your planned retirement date.

## **Two Months Before Retirement**

- **Choose Your Exact Retirement Date, If You Have Not Already Done So.** Keep in mind, that for voluntary retirements, CSRS annuities can begin on the first, second or third day of the month. Under FERS, voluntary retirements begin only on the first of a month.
- **Complete and Submit All Necessary Forms for Retirement.** Pay attention to the information in the application regarding Workers Compensation and payments from OPM. If you have any questions, now is the time to get them answered by the HRSC-NW staff. Keep a copy for your own records

### **Important Point to Remember**

Failure to complete any form or item of information that may be required in your case may cause HRSC-NW or OPM to delay the final processing of your application for retirement. Nothing is more frustrating to anyone planning to retire than finding out that his or her retirement date must be adjusted because something is missing from his or her application.

- **Check with Your HRSC Advisor to Make Sure Your Retirement Application has Been Received.** It never hurts to check.

## **Final Word**

If you have additional concerns or questions, most of them can be answered by a brief visit to either the HRSC-NW or the OPM Web sites listed above. You will find the most recent information on points of contact and phone numbers on the HRSC-NW Web site:

<http://www.donhr.navy.mil/nw/Benefits/BenRetHomepg.asp>



**We hope this guide has been helpful. Good luck in your retirement and thank you for your contribution to the United States.**